



# U.S.-KOREA TRADE AGREEMENT

## Kentucky Farmers Will Benefit

---

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Kentucky agricultural products, including poultry, beef, and feed grains. Kentucky's agricultural exports to all countries, estimated at \$1.9 billion in 2009, supported about 15,200 jobs, on and off the farm. These export sales make an important contribution to the Kentucky farm economy, which had total cash receipts of \$4.3 billion in 2009.

**Poultry and Egg Products.** With \$758 million in farm cash receipts in 2009, broilers are Kentucky's second largest agricultural industry behind horses and account for 18 percent of total farm cash receipts. Among the KORUS agreement's benefits to Kentucky's poultry and egg producers and processors:

- Korea's tariffs of 18 to 27 percent on frozen leg quarters, frozen breasts and wings, and frozen turkey cuts, will be phased out in 7-12 years.
- As the number two market for U.S. egg products, Korea's tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

**Soybeans and Products.** Kentucky soybeans generate the third largest source of cash receipts, totaling \$527 million in 2009. They also ranked as the state's second largest export with sales of \$359 million. Kentucky soybean farmers will benefit from this agreement.

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free tariff-rate quota (TRQ) starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.
- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

**Cattle and Beef.** Kentucky's cattle and calf industry provides the fifth largest source of state farm cash receipts. Under the KORUS agreement:

- For beef muscle meats, the agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

**Feed Grains.** Corn is the state's fourth largest source of farm revenue, generating cash receipts of \$524 million in 2009. Feed grains and fodders are the state's leading export totaling \$159 million. Under the KORUS agreement:

- U.S. exports of corn for feed will be duty-free immediately. Korea is currently the third largest market for U.S. corn for feed.
- The agreement includes a new 93,774-metric ton duty-free TRQ for corn for processing that grows quickly to 393,849 tons by year seven, after which quantities will be unrestricted.

<b>Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)</b>		
<b>Product</b>	<b>U.S. to World</b>	<b>Kentucky to World</b>
<b>Poultry and Egg Products</b>	\$4,850,000,000	\$129,000,000
<b>Cattle and Beef</b>	\$6,703,000,000	\$358,000,000
<b>Feed Grains</b>	\$11,979,000,000	\$159,000,000
<b>Soybeans and Products</b>	\$17,709,000,000	\$359,000,000
<b>Agricultural Total</b>	\$96,632,000,000	\$1,947,000,000

*Compiled by ERS using data from Census Bureau, Commerce and NASS.*

*Note:* All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or [LPA@fas.usda.gov](mailto:LPA@fas.usda.gov).